

Message Text

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SUBJ: FY 1976 AND 1977 COUNTRY COMMERCIAL PROGRAM

REF: STATE A-9016

1. SUMMARY: THIS MESSAGE SUGGESTS TEXT FOR SECTION 1 AND PROVIDES INFORMATION FOR APPENDIX OF FY 76 AND 77 CCP'S. CABLED SUMMARY OF PROGRAM ACTIVITIES WITH RESOURCE FIGURES FOLLOWING EARLY NEXT WEEK. END SUMMARY.

2. MISSION SUGGESTS SECTION I "OVERVIEW" READ AS FOLLOWS:

A. OVERALL U.S. COMMERCIAL GOALS IN YUGOSLAVIA ARE

(1) STIMULATE AND STRENGTHEN BILATERAL BUSINESS RELATIONS;
(2) PROMOTE EXPORTS, WITH EMPHASIS ON MAJOR PROJECT ACTIVITIES, WHILE RECOGNIZING THE YUGOSLAV NEED TO INCREASE SALES TO THE U.S.; (3) FACILITATE U.S. INVESTMENT IN YUGOSLAVIA; (4) HELP U.S. COMPANIES UNDERSTAND YUGOSLAV BUSINESS CONDITIONS; AND (5) ENCOURAGE AND SUPPORT EFFORTS BY THE TWIN YUGOSLAV-U.S. ECONOMIC COUNCILS TO REALIZE MUTUAL COMMERCIAL OBJECTIVES.

B. THE U.S. SUPPORTS YUGOSLAVIA'S POSTURE OF INDEPENDENT NON-ALIGNMENT, AND RECOGNIZES THAT A VIABLE AND EXPANDING ECONOMY IS AN ESSENTIAL ELEMENT IN MAINTAINING THAT POLICY. THE U.S. IS THEREFORE READY TO COOPERATE IN YUGOSLAV ECONOMIC DEVELOPMENT AND INTENDS TO STRENGTHEN BILATERAL ECONOMIC RELATIONS.

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C. THE YUGOSLAV ECONOMY IN 1974 REGISTERED GAINS OVER 1973 IN PRODUCTION (10 PCT), INVESTMENT (18 PCT DURING FIRST TEN MONTHS), PRODUCTIVITY AND CONSUMER DEMAND. DURING 1975 YUGOSLAV PLANNERS, WHILE ATTEMPTING TO FOCUS CONTINUING HIGH INVESTMENT INTO PRIORITY SECTORS. THESE SECTORS ARE: ENERGY, FOOD PRODUCTION AND PROCESSING, AND EXPLOITATION AND PROCESSING OF RAW MATERIALS.

D. AN IMPORTANT PROBLEM IS INFLATION. A WIDENING TRADE DEFICIT AND A NEGATIVE BALANCE OF PAYMENTS HAVE ALSO CAUSED PREOCCUPATION, THOUGH FOREIGN EXCHANGE RESERVES REMAIN STRONG. YUGOSLAVIA WILL NOT ALLOW THESE PROBLEMS TO INTERFERE WITH PRIORITY DEVELOPMENT PLANS, WHICH CALL FOR INFUSIONS OF FOREIGN CAPITAL GOODS, TECHNOLOGY, AND INVESTMENT.

E. U.S.-YUGOSLAV TRADE IN 1974 INCREASED 67 PCT OVER 1973, ACCORDING TO YUGOSLAV FIGURES, WITH U.S. EXPORTS TO YUGOSLAVIA OF \$353 MILLION (CIF) AND U.S. IMPORTS FROM YUGOSLAVIA OF \$315 MILLION (FOB). YUGOSLAV DEVELOPMENT PLANS HOLD BRIGHT POTENTIAL FOR U.S. EXPORTERS ON CONDITION THEY CAN OBTAIN COMPETITIVE FINANCING AND SATISFY GROWING YUGOSLAV INTEREST IN OFFSET ARRANGEMENTS AND LOCAL CONTENT IN MAJOR PROJECT PROPOSALS. U.S. INVESTMENT IN PRODUCTION FACILITIES WILL REMAIN SECURE AND WELCOME. INVESTORS ARE SOMEWHAT INHIBITED, HOWEVER, BY LEGISLATION LIMITING REPATRIATION OF PROFITS TO SLIGHTLY OVER HALF OF EXPORT EARNINGS. IN REGARD TO TECHNOLOGY, HIGH YUGOSLAV REGARD FOR U.S. ACCOMPLISHMENTS WILL BE ENHANCED BY SATISFACTORY PROGRESS ON THE U.S. CONTRACT FOR YUGOSLAVIA'S FIRST NUCLEAR POWER STATION.

3. FOLLOWING IS INFORMATION FOR APPENDIX "ADMINISTRATIVE DIRECTION":

A. COUNTRY ACTION GROUP (CAG): DCM (CHAIRMAN); ECONOMIC/COMMERCIAL COUNSELOR; ADMINISTRATIVE COUNSELOR; COMMERCIAL ATTACHE; AMCONSUL ZAGREB, POLITICAL-ECONOMIC/ COMMERCIAL OFFIER; USIS, DPAO; DEFENSE ATTACHE.
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B. CAG WILL MEET BY FIFTH WORKING DAY AFTER CLOSE OF EACH FISCAL QUARTER. RESOURCE ALLOCATION ESTIMATE (SECTION IV) INCLUDES FUNDS IN PROGRAM MANAGEMENT ENTRY TO ALLOW CONSULATE GENERAL OFFICER ATTEND QUARTERLY MEETINGS.

C. IN VIEW OF HEAVY EXIMBANK INVOLVEMENT IN YUGOSLAV PROJECTS, EMBASSY RECOMMENDS WASHINGTON ACTION

GROUP INCLUDE EXIMBANK OFFICER.

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